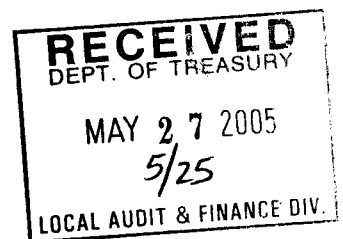


VILLAGE OF BELLAIRE
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FEBRUARY 28, 2005



AUDITING PROCEDURES REPORT

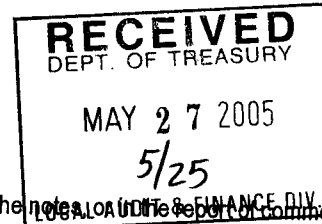
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: VILLAGE OF BELLAIRE	County ANTRIM
Audit Date FEBRUARY 28, 2005	Opinion Date MARCH 23, 2005	Date Accountant Report Submitted To State: May 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, local unit report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name):

KESKINE, COOK, MILLER & ALEXANDER, LLP

Street Address

100 West First Street

City

Gaylord

State

MI

ZIP

49735

Accountant Signature

Walter J. Keskine

VILLAGE OFFICIALS

PRESIDENT	JOHN HANSON
PRESIDENT PRO-TEM	DENNIS BALON
TREASURER/CLERK	CATHERINE ODOM
CHIEF OF POLICE	BRAD ROWE
STREET ADMINISTRATOR	KENNETH M. STEAD
DEPUTY CLERK	PAMELA PATTON
ZONING ADMINISTRATOR	JANET PERSON
BEAUTIFICATION COMMISSION ADMINISTRATOR	PATRICIA DROLLINGER

TRUSTEES

DENNIS BALON
JAMES BAKER
EUGENE DEWEY
HELEN SCHUCKEL
PATRICIA DROLLINGER
BOB RODRIQUEZ

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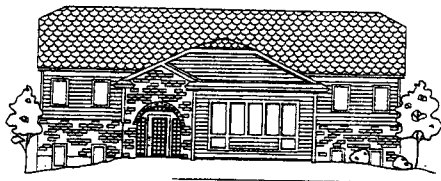
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Keskine, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskine, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

INDEPENDENT AUDITOR'S REPORT

March 23, 2005

To the President and Members of the Village
Council of the Village of Bellaire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

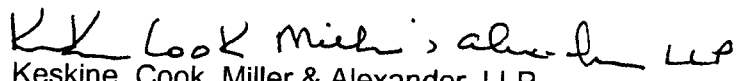
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-6 and budgetary comparison information on pages 37-42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2005, on our consideration of the Village of Bellaire's compliance and internal control over financial reporting.


Keskin, Cook, Miller & Alexander, LLP
Certified Public Accountants

Village of Bellaire

P.O. Box 557 202 N. Bridge Street

Bellaire, Michigan 49615

Phone (231) 533-8213

Fax (231) 533-4183

E-Mail: vlgbellaire@charterinternet.com

VILLAGE OF BELLAIRE MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED FEBRUARY 28, 2005

This section of the Village of Bellaire's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at February 28, 2005 totaled approximately \$2,165,000 for governmental activities and \$3,500,000 for business-type activities. Of these totals, approximately \$1,220,000 and 2,740,000, respectively, represent capital assets net of depreciation. Overall, assets increased by 2% from the prior year.

Overall revenues were approximately \$1,260,000 (\$800,000 from governmental activities and \$460,000 from business-type activities). Overall expenses approximated \$1,200,000 (\$700,000 for governmental activities and \$500,000 for business-type activities).

The tax base increased by approximately 3.0%.

The Village incurred two new debt instruments during the year and purchased approximately \$148,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the Village are reported as governmental activities. These would include the general fund, cemetery fund, parks, major streets, local streets, public safety fund and the motor pool fund. Some activities such as the water and sewer funds are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Law Enforcement, Major Street, Local Street, Debt Service and Cemetery.

Proprietary Funds: These funds represent activities in the government, which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Sewer and Internal Service.

Fiduciary Funds: The Village is a trustee or fiduciary for assets that belong to others. The Village maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to whom the funds belong. These activities do not appear in the Village's government-wide financial statements since the assets do not belong to the Village. The Village maintains a Cemetery Perpetual Care fund in this category.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Assets: The Village's combined net assets increased approximately \$50,000 during the year ended February 28, 2005 totaling 3,470,301.

Governmental Activities: The net assets for governmental activities increased approximately \$91,000, due largely to grants received from the State of Michigan and The Grand Traverse Band of Ottawa Indians and an increase in property tax revenues as a result of the increased tax base.

Business Type Activities: The net assets for business-type activities decreased approximately \$62,000. The decline can be attributed to a decrease in charges for services and expenditures resulting from testing performed to eventually drill a new well for the municipal water supply.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Village tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

Major Streets: This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes and grants for snow removal. The major expense for this fund is equipment rental for snow removal and street repair.

Local Streets: This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the state in the form of grants for snow removal and from gas and weight taxes. This fund also records contributions from area Townships for repairing or paving local streets. During the year ended February 28, 2005, the Village constructed a municipal parking lot in the downtown area.

Public Safety Fund: The public safety fund is used to record police department activities. Its major source of revenue comes from the general fund. The expenses incurred are for operational costs.

Cemetery Fund: The major source of revenue is from the sale of cemetery plots and openings for burials. The expenses incurred are for maintenance.

Sewer Fund: The sewer fund records all activities of the Village's wastewater treatment system. The major source of revenue is from user charges, and the major expense is the operation and maintenance of the sewer system.

Water Fund: This fund is used to record revenues and expenses for the Village water system. The revenues come from user charges and the expenses are incurred for operation and maintenance.

Internal Service: This is used to record the operation by the Department of Public Works. The primary source of revenue comes from equipment rental fees charged to the other funds of the Village. The primary expenses are accrued from the operations and maintenance of equipment.

Bellaire Building Authority Debt Service: This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

2004 Water Upgrade Debt Service: This fund satisfies the debt requirements of the Water Upgrade Bond issued in the current year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Village's capital assets for this year includes the construction of a walking path (\$15,292), the construction of a municipal parking lot including landscaping and lighting (\$82,163), a police vehicle (\$28,857), a generator (\$1,725), and a waterline extension project that is on-going as of February 28, 2005 (\$20,000).

Long Term Debt:

- ◆ Sewer Revenue Bond: The Revenue Bond payments for this fiscal year totaled \$66,970 (\$30,000 principal and \$36,970 interest).
- ◆ Sewer General Obligation Bond: The bond payments for this fiscal year totaled \$66,627 (\$25,000 principal and \$41,627 interest).
- ◆ Local Streets Debt: This was for the construction of new roads. The Village paid \$42,860 in bond payments for the fiscal year (\$40,000 principal and \$2,860 interest).
- ◆ Local Streets Installment Loan: This was for the purchase of land for the municipal parking lot. The Village paid \$15,683 in loan payments for the fiscal year (\$8,717 principal and \$6,966 interest).
- ◆ Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$17,700 (\$10,000 principal and 7,700 interest).
- ◆ The Village incurred new debt during the fiscal year as follows:
 - \$48,000 by issuing a new bond for a water system line-extension project.
 - \$90,000 inter-fund loan from the General Fund to Local Streets to finance the construction of the municipal parking lot.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

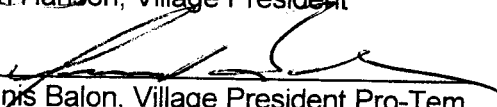
The Village plans for the future include a new well and possible improvements to Craven Park, which would provide more campsites and better softball and baseball diamonds funded by available grants. The Village is also finishing an extension of the current walking path and looking at extending it even further to make a complete circle around the Village. The soccer park is looking at installing a bathhouse and concession stand but this is dependant on receiving funds from a Rotary Grant that has already been applied for.

CONTACTING VILLAGE MANAGEMENT

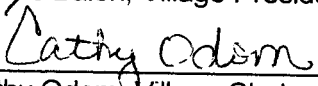
This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact Cathy Odom, Village Clerk or John Hanson, Village President at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.



John Hanson, Village President



Dennis Balon, Village President Pro-Tem



Cathy Odom, Village Clerk

**VILLAGE OF BELLAIRE
STATEMENT OF NET ASSETS
FEBRUARY 28, 2005**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 617,579	\$ 611,629	\$ 1,229,208
Investments	101,192	101,284	202,476
Accounts Receivable	80,431	41,169	121,600
Accounts Receivable - Tax Collection	5,073	-	5,073
Inventory	2,357	-	2,357
Due From Other Funds	54,713	-	54,713
Total Current Assets	861,345	754,082	1,615,427
Noncurrent Assets:			
Due From Other Funds - Noncurrent	82,845	-	82,845
Capital Assets	1,986,777	4,335,174	6,321,951
Accumulated Depreciation	(765,210)	(1,593,166)	(2,358,376)
Total Noncurrent Assets	1,304,412	2,742,008	4,046,420
Total Assets	2,165,757	3,496,090	5,661,847
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,404	22,228	28,632
Accrued Interest Payable	9,947	16,103	26,050
Deferred Revenue	6,023	-	6,023
Due To Other Funds	7,155	47,558	54,713
Current Portion of Long-Term Debt	21,490	60,000	81,490
Total Current Liabilities	51,019	145,889	196,908
Noncurrent Liabilities:			
Due To Other Funds - Noncurrent	82,845	-	82,845
Bonds Payable	341,793	1,570,000	1,911,793
Total Noncurrent Liabilities	424,638	1,570,000	1,994,638
Total Liabilities	475,657	1,715,889	2,191,546
NET ASSETS			
Invested in Capital Assets, net of Related Debt	858,284	1,112,008	1,970,292
Restricted	51,046	142,373	193,419
Unrestricted	780,770	525,820	1,306,590
Total Net Assets	\$ 1,690,100	\$ 1,780,201	\$ 3,470,301

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

	P R O G R A M R E V E N U E S			N E T (E X P E N S E) R E V E N U E A N D		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES
GOVERNMENTAL ACTIVITIES						
General Administration	\$ (90,163)	\$ -	\$ -	\$ -	\$ (90,163)	\$ -
Village Council	(14,694)	-	-	-	(14,694)	-
Elections	(632)	-	-	-	(632)	-
Street and Sidewalk Maintenance	(157,141)	-	109,371	24,500	(23,270)	(632)
Village Hall	(41,032)	-	-	-	(41,032)	-
Parks	(116,344)	-	-	-	(82,317)	(23,270)
Dam	(3,821)	17,550	-	16,477	(3,821)	(41,032)
Zoning	(45,077)	-	-	-	(28,201)	(82,317)
Law Enforcement	(177,510)	4,395	-	12,481	(163,148)	(3,821)
Cemetery	(27,743)	10,975	3,387	-	(7,838)	(28,201)
Interest on Long-Term Debt	(19,257)	9,812	10,093	-	(19,257)	(163,148)
Total Governmental Activities	(693,414)	42,732	122,851	53,458	(474,373)	(19,257)
BUSINESS-TYPE ACTIVITIES						
Sewer	(285,807)	255,601	-	-	-	(30,206)
Water	(157,372)	121,168	-	-	-	(36,204)
Interest on Long-Term Debt	(78,598)	-	-	-	-	(78,598)
Total Business-Type Activities	(521,777)	376,769	-	-	-	(145,008)
TOTAL GOVERNMENT	(1,215,191)	419,501	122,851	53,458	(474,373)	(619,381)
GENERAL REVENUES						
Property Taxes:						
Levied for General Purposes					322,831	-
Levied for Local Street Maintenance					99,460	-
Levied for Debt Service					-	71,054
Property Tax Administration Fee					4,929	-
Slate Shared Revenue (not restricted to specific purposes)					115,765	-
Refunds and Rebates					14,176	1,171
Investment Earnings					16,426	10,940
Miscellaneous					12,090	-
TRANSFERS					-	-
TOTAL GENERAL REVENUES AND TRANSFERS					585,677	83,165
CHANGE IN NET ASSETS						668,842
NET ASSETS - BEGINNING OF YEAR					111,304	(61,843)
NET ASSETS - END OF YEAR					1,578,796	1,842,044
					\$ 1,690,100	\$ 1,780,201
						\$ 3,470,301

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	<u>MAJOR GOVERNMENTAL FUNDS</u>				NON-MAJOR GOVERN- MENTAL FUNDS	TOTAL
	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		
ASSETS						
Cash	\$ 322,957	\$ 25,595	\$ 96,100	\$ 42,747	\$ 51,143	\$ 538,542
Investments	-	-	25,266	28,320	1,000	54,586
Accounts Receivable:						
Due From State	24,414	-	19,550	7,107	-	51,071
Due From County	-	-	-	-	-	-
Due From Other Funds	89,992	-	-	-	5,073	95,065
Other	4,993	-	14,500	-	9,867	29,360
Total Assets	442,356	25,595	155,416	78,174	67,083	768,624
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	2,454	2,794	20	64	7	5,339
Deferred Revenue	6,023	-	-	-	-	6,023
Due To Other Funds	-	-	13,508	11,325	17,600	42,433
Total Liabilities	8,477	2,794	13,528	11,389	17,607	53,795
Fund Equity						
Fund Balance:						
Undesignated, Unreserved	427,856	22,801	141,888	66,785	4,453	663,783
Reserved	6,023	-	-	-	45,023	51,046
Total Fund Equity	433,879	22,801	141,888	66,785	49,476	714,829
Total Liabilities and Fund Equity	\$ 442,356	\$ 25,595	\$ 155,416	\$ 78,174	\$ 67,083	\$ 768,624

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 10)	\$ 714,829
Amounts reported for governmental activities in the Statement of Net Assets (page 2) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not used in the funds	1,221,567
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and therefore are not reported in the funds	(373,231)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets	126,935
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 8)	\$ 1,690,100

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2005

	<u>MAJOR GOVERNMENTAL FUNDS</u>				<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	
	GENERAL	PUBLIC SAFETY	MAJOR STREET	LOCAL STREET		TOTAL
REVENUES						
Taxes and Assessments						
State Grants	\$ 322,837	\$ -	\$ -	\$ 99,460	\$ -	\$ 422,297
Local Grants	115,765	3,387	75,580	33,791	-	228,523
Charges for Services	28,958	-	-	10,000	-	49,051
Interest Income	33,570	10,975	14,500	-	10,093	68,857
Other	10,430	142	2,177	1,815	9,812	16,424
	14,176	525	3,886	979	18,900	38,466
Total Revenues	525,736	15,029	96,143	146,045	40,665	823,618
EXPENDITURES						
General Government						
Parks	155,447	-	-	-	-	155,447
Zoning	107,113	-	-	-	-	107,113
Craven Dam	45,077	-	-	-	-	45,077
Street Maintenance	585	-	-	-	-	11,785
Public Safety	-	-	62,496	201,805	11,200	268,301
Cemetery	-	200,004	-	-	4,000	200,004
Debt Service:	-	-	-	-	25,934	25,934
Principal	-	-	-	-	-	-
Interest	-	-	-	8,717	-	8,717
	-	-	-	9,721	7,700	17,421
Total Expenditures	308,222	200,004	62,496	220,243	48,834	839,799
Excess (Deficiency) of Revenues over Expenditures	217,514	(184,975)	33,647	(74,198)	(8,169)	(16,181)
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	-
Transfers Out	(169,392)	166,892	-	2,500	-	169,392
Note Proceeds	-	-	-	-	-	(169,392)
Interfund Loan	(90,000)	-	-	90,000	48,000	48,000
	(259,392)	166,892	-	92,500	-	-
Total Other Financing Sources (Uses)	(259,392)	166,892	-	92,500	48,000	48,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(41,878)	(18,083)	33,647	18,302	39,831	31,819
Fund Balance - Beginning of Year	475,757	40,884	108,241	48,483	9,645	683,010
Fund Balance - End of Year	\$ 433,879	\$ 22,801	\$ 141,888	\$ 66,785	\$ 49,476	\$ 714,829

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2005

NET CHANGE IN FUND BALANCES - TOTAL
GOVERNMENTAL FUNDS - PAGE 12

\$ 31,819

Amounts reported for governmental activities in the statement of activities (page 3) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives

126,312

Depreciation expense, recorded in the statement of activities but not the governmental fund financial statements

(66,025)

Internal service funds are used by management of charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities

10,318

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure.

However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances.

58,717

Proceeds from long-term debt instruments are recorded as revenue in the governmental funds and as a liability in the government-wide financial statements

(48,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This includes accrued interest expense

(1,837)

CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES -
PER STATEMENT OF ACTIVITIES (PAGE 9)

\$ 111,304

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENT ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
ASSETS				
Current Assets:				
Cash	\$ 524,063	\$ 87,566	\$ 611,629	\$ 79,037
Investments	101,284	-	101,284	46,606
Accounts Receivable	27,980	13,189	41,169	-
Inventory	-	-	-	2,357
Total Current Assets	653,327	100,755	754,082	128,000
Noncurrent Assets:				
Land	51,500	-	51,500	-
Buildings	-	-	-	94,839
Distribution and Collection Systems	3,756,693	496,891	4,253,584	-
Machinery and Equipment	-	30,090	30,090	468,415
Accumulated Depreciation	(1,379,365)	(213,801)	(1,593,166)	(386,442)
Total Noncurrent Assets	2,428,828	313,180	2,742,008	176,812
Total Assets	3,082,155	413,935	3,496,090	304,812
LIABILITIES				
Current Liabilities:				
Accrued Liabilities	16,103	-	16,103	-
Accounts Payable	1,319	20,909	22,228	1,065
Due To Other Funds	47,558	-	47,558	-
Current Portion of Bonds Payable	60,000	-	60,000	-
Total Current Liabilities	124,980	20,909	145,889	1,065
Noncurrent Liabilities:				
Bonds Payable	1,570,000	-	1,570,000	-
Total Liabilities	1,694,980	20,909	1,715,889	1,065
NET ASSETS				
Invested in Capital Assets, net of Related Debt	798,828	313,180	1,112,008	-
Restricted for Debt Service	142,373	-	142,373	-
Unrestricted	445,974	79,846	525,820	303,747
Total Net Assets	\$ 1,387,175	\$ 393,026	\$ 1,780,201	\$ 303,747

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
OPERATING REVENUES				
Charges for Services	\$ 255,601	\$ 121,168	\$ 376,769	\$ 102,607
Taxes and Assessments	71,054	-	71,054	-
Other	643	528	1,171	6,108
Total Operating Revenues	327,298	121,696	448,994	108,715
EXPENSES				
Personnel Services	107,349	62,999	170,348	36,966
Professional Fees	1,500	6,950	8,450	900
Contractual Services	-	35,773	35,773	-
Insurance	4,329	1,202	5,531	14,544
Equipment Rental	8,604	11,450	20,054	-
Supplies	22,084	2,458	24,542	18,407
Repairs and Maintenance	21,813	7,463	29,276	19,370
Utilities	19,766	10,946	30,712	8,220
Depreciation	97,071	15,861	112,932	26,848
Miscellaneous	3,291	2,270	5,561	501
Total Operating Expenses	285,807	157,372	443,179	125,756
Operating Income/(Loss)	41,491	(35,676)	5,815	(17,041)
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	10,940	-	10,940	512
Interest Expense	(78,598)	-	(78,598)	-
Change in Net Assets	(26,167)	(35,676)	(61,843)	(16,529)
Total Net Assets - Beginning of Year	1,413,342	428,702	1,842,044	320,276
Total Net Assets - End of Year	\$ 1,387,175	\$ 393,026	\$ 1,780,201	\$ 303,747

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF CASH FLOWS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUND</u>
<u>Cash flows from operating activities:</u>				
Cash received from customers	\$ 255,602	\$ 111,651	\$ 367,253	\$ 102,607
Cash received from property tax levy	71,054	-	71,054	-
Cash payments to suppliers for goods and services	(78,115)	(23,332)	(101,447)	(61,942)
Cash payments to employees and professional contractors for services	(108,849)	(105,722)	(214,571)	(35,633)
Payments for internal services	(8,604)	(11,450)	(20,054)	-
Other operating revenues	643	10,045	10,688	6,108
Net cash provided by (used in) operating activities	<u>131,731</u>	<u>(18,808)</u>	<u>112,923</u>	<u>11,140</u>
<u>Cash flows from non-capital financing activities:</u>				
Receipts under interfund loan agreements	47,558	-	47,558	5,701
Payments under interfund loan agreements	(43,716)	-	(43,716)	-
Net cash provided (used) by non-capital financing activities	<u>3,842</u>	<u>-</u>	<u>3,842</u>	<u>5,701</u>
<u>Cash flows from capital and related financing activities:</u>				
Acquisition and construction of capital assets	(1,725)	-	(1,725)	-
Principal paid on bonds	(55,000)	-	(55,000)	-
Interest paid on bonds	(78,598)	-	(78,598)	-
Net cash provided (used) by capital and related financing activities	<u>(135,323)</u>	<u>-</u>	<u>(135,323)</u>	<u>-</u>
<u>Cash flows from investing activities:</u>				
Purchase of investments	(6,825)	-	(6,825)	(15,112)
Investment income	10,939	-	10,939	512
Net cash provided (used) by investing activities	<u>4,114</u>	<u>-</u>	<u>4,114</u>	<u>(14,600)</u>
 Net increase (decrease) in cash and cash equivalents	<u>4,364</u>	<u>(18,808)</u>	<u>(14,444)</u>	<u>2,241</u>
 Cash and cash equivalents at beginning of year	<u>519,699</u>	<u>106,374</u>	<u>626,073</u>	<u>76,796</u>
 Cash and cash equivalents at end of year	<u>\$ 524,063</u>	<u>\$ 87,566</u>	<u>\$ 611,629</u>	<u>\$ 79,037</u>

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FEBRUARY 28, 2005**

	CEMETERY PERPETUAL CARE
ASSETS	
Cash	\$ 9,799
Investments	79,570
Total Assets	<u>89,369</u>
LIABILITIES	
Due To Other Funds	<u>5,073</u>
NET ASSETS	
Net Assets Held in Trust for Cemetery Perpetual Care	<u><u>\$ 84,296</u></u>

See accompanying notes to financial statements.

VILLAGE OF BELLAIRE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	CEMETERY PERPETUAL CARE
ADDITIONS	
Interest	\$ 3,250
DEDUCTIONS	
Deductions	-
Change in Net Assets	3,250
Net Assets Held in Trust for Cemetery Perpetual Care - Beginning of Year	81,046
Net Assets Held in Trust for Cemetery Perpetual Care - End of Year	\$ 84,296

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 28, 2005**

NOTE A: ENTITY

The Village of Bellaire is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. Its physical boundaries incorporate parts of Forest Home and Kearney Townships.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Bellaire.

BELLAIRE DISTRICT FIRE DEPARTMENT

These statements do not include activities of the Bellaire District Fire Department since the Village has no financial or oversight responsibility.

BELLAIRE BUILDING AUTHORITY

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a capital projects and debt service fund within the Village's financial statements. The Building Authority is also audited under separate cover, and the financial statements are located at the Village offices.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Bellaire are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Village's financial activities.

The accounting policies of the Village of Bellaire conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On March 1, 2002, the Village of Bellaire adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Village's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Village as a whole, excluding fiduciary activities such as cemetery perpetual care activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Village reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Public Safety Fund – This fund is used to account for all financial transactions of the Village's police department. The activities of the police department are financed primarily by transfers of resources from the General Fund.

Major Street Fund – This fund is used to account for all financial transactions related to the Village's "major" (state-owned) streets. Revenues are derived primarily from state grants.

Local Street Fund – This fund is used to account for all financial transactions related to the Village's local streets. Revenues are derived primarily from property taxes and state grants.

The Village reports, in total, the following non-major funds:

Cemetery, Bellaire Building Authority (capital projects and debt service), and Local Street Debt Service Funds.

Proprietary Funds

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

income is appropriate for capital maintenance, public policy, management control or other purposes. Water and sewer funds are reported in this category.

The Village reports the following major enterprise funds:

Proprietary Funds

Water Fund – This fund is used to account for all financial transactions of the Village's Water Utility services. Revenues are derived primarily from user charges.

Sewer Fund - This fund is used to account for all financial transactions of the Village's Sewer Utility services. Revenues are derived primarily from user charges.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Cemetery perpetual care activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Internal Service Funds – account for equipment provided by one department to other departments within the Village on a cost-reimbursement basis. These are proprietary funds reported with governmental activities in the government-wide statements. The Village's motor pool fund is an internal service fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15; uncollected amounts are subsequently added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records the property tax revenue on the lien date when it becomes an enforceable legal claim for the Village. Therefore, all taxes levied on July 1, 2004, are recorded as revenue in the current year.

Property taxes were levied as follows for the year ended February 28, 2005:

General	11.3586 mills
Local Street	3.0000 mills
Sewer G.O. Bond	2.5000 mills

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The council normally adopts the budget just prior to March 1. Amendments are made to the budgets when determined to be necessary throughout the year. We noted overexpenditures for the year ended February 28, 2005 as follows:

Public Safety Fund	\$11,179
Local Street	88,755

Budgets are not required for the proprietary, fiduciary, and debt service fund types.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

INVENTORY

Inventory for street materials have been recorded at cost.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile equipment	3 – 30
Furniture, machinery, and equipment	3 – 30

For information describing capital assets, see Note F.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE C: CASH AND INVESTMENTS

The Village of Bellaire uses a common banking account to pool various cash funds and enhance investment earnings. The various fund's equity at February 28, 2005 are as follows:

	<u>COMMON CHECKING</u>
General	\$ 322,857
Water	87,565
Motor Pool	79,037
Public Safety	<u>25,595</u>
	<u>\$ 515,054</u>

Interfund borrowings are common and normally short-term in nature. Certificates of deposit are cashed if necessary to eliminate negative balances.

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Village's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 29, 2005

NOTE C: CASH AND INVESTMENTS (CONTINUED)

	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Pooled Deposits	\$ 577,840	\$ 100,000	\$ -	\$ 477,840	\$ 515,057
Local Street	126,165	-	-	126,165	42,747
Major Street	160,361	-	-	160,361	96,099
Sewer	668,003	-	-	668,003	425,689
Sewer-Bond Red.	142,373	-	-	142,373	142,373
Cemetery	27,746	-	-	27,746	6,120
Building Authority	1,023	1,023	-	-	1,023
Petty Cash	-	-	-	-	100
Subtotal	1,703,511	101,023	-	1,602,488	1,229,208
Perpetual Care	9,798	-	-	9,798	9,798
Total Cash Deposits	<u>\$ 1,713,309</u>	<u>\$ 101,023</u>	<u>\$ -</u>	<u>\$ 1,612,286</u>	<u>\$ 1,239,006</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's investments are as follows:

- (1) Insured or securities held by the Village or the Village's agent in the Village's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Village's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Village's name.

Investments are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at February 28, 2005, consist of the following:

	1	CATEGORY 2	3	CARRYING AMOUNT
Sewer	\$ -	\$ 101,284	\$ -	\$ 101,284
Motor Pool	-	46,606	-	46,606
Local Street	-	28,320	-	28,320
Cemetery	-	1,000	-	1,000
Major Street	-	25,266	-	25,266
Subtotal	-	202,476	-	202,476
Perpetual Care	-	79,570	-	79,570
Total Investments	<u>\$ -</u>	<u>\$ 282,046</u>	<u>\$ -</u>	<u>\$ 282,046</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE C: CASH AND INVESTMENTS (CONTINUED)

Investing is performed in accordance with investment policies complying with state statutes.

NOTE D: RECEIVABLES

Governmental Funds - Accounts receivable at February 28, 2005 consist of the following:

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>NON MAJOR FUNDS</u>
State of MI Shared Revenues	\$ 20,891	\$ 19,550	\$ 7,107	\$ -
County Reimbursements	-	14,500	-	-
Other	3,523	-	-	9,867
	<u>\$ 24,414</u>	<u>\$ 34,050</u>	<u>\$ 7,107</u>	<u>\$ 9,867</u>

Proprietary funds - Accounts receivable at February 25, 2005, in the Enterprise funds consist of the following:

	<u>SEWER</u>	<u>WATER</u>
Unbilled usage 2/15 - 2/28	\$ 9,359	\$ 4,029
Current	16,099	8,067
30-60 days	2,261	990
60+ days	261	103
	<u>\$ 27,980</u>	<u>\$ 13,189</u>

Management considers all receivables to be fully collectible.

NOTE E: DUE FROM/TO OTHER FUNDS

The amount of short-term interfund receivables and payable are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 97,146	Cemetery	\$ 17,600
Cemetery	5,073	Major Street	13,508
		Local Street	18,480
		Sewer	47,558
		Perpetual Care	5,073
	<u>\$ 102,219</u>		<u>\$ 102,219</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE E: DUE FROM/TO OTHER FUNDS (CONTINUED)

These Interfund receivables are short-term in nature and no interest is charged on the above amounts. Above amounts are the result of fringe benefit allocations and other activity at February 28, 2005.

GASB 34 requires that all short-term interfund receivables and payables are eliminated within each activity type for purposes of the government-wide financial statements. Therefore, the only short-term due to/due from balances presented on the Statement of Net Assets are those between the governmental and business-type activities. They are as follows: \$47,558 due to the general fund from the sewer fund and \$5,073 due to the cemetery fund from the perpetual care fund.

The amount of long-term interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	<u>\$ 82,845</u>	Local Street	<u>\$ 82,845</u>

The long-term receivable and payable is the result of two inter-fund loans from the General Fund to Local Streets. The loans are repayable as follows:

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
7/1/2004	\$ 40,000	5.00%	7/1/2005	\$ 3,180	\$ 2,000
			7/1/2006	3,339	1,841
			7/1/2007	3,506	1,674
			7/1/2008	3,681	1,499
			7/1/2009	3,866	1,315
			7/1/2010 - 7/1/2014	22,428	3,473
				<u>40,000</u>	<u>11,802</u>

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
10/1/2004	\$ 50,000	5.00%	10/1/2005	\$ 3,975	\$ 2,500
			10/1/2006	4,174	2,301
			10/1/2007	4,383	2,093
			10/1/2008	4,602	1,873
			10/1/2009	4,832	1,643
			10/1/2010 - 10/1/2014	28,034	4,342
				<u>50,000</u>	<u>14,752</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE F: CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance March 1, 2004	Additions	Disposals	Balance February 28, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 422,967	\$ -	\$ -	\$ 422,967
Construction in process	-	-	-	-
Subtotal	422,967	-	-	422,967
Capital assets being depreciated:				
Buildings	517,717	-	-	517,717
Land Improvements	-	92,382	-	92,382
Furniture and fixtures	331,170	-	-	331,170
Machinery and equipment	522,140	28,858	-	550,998
Infrastructure	66,470	5,073	-	71,543
Subtotal	1,437,497	126,313	-	1,563,810
Accumulated depreciation:				
Buildings	197,866	13,914	-	211,780
Land Improvements	-	834	-	834
Furniture and fixtures	144,384	18,189	-	162,573
Machinery and equipment	353,120	30,833	-	383,953
Infrastructure	3,815	2,255	-	6,070
Subtotal	699,185	66,025	-	765,210
Net capital assets being depreciated	738,312	60,288	-	798,600
Net capital assets	\$ 1,161,279	\$ 60,288	\$ -	\$ 1,221,567
	Balance March 1, 2005	Additions	Disposals	Balance February 28, 2005
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 51,500	\$ -	\$ -	\$ 51,500
Construction in progress	-	20,000	-	20,000
Subtotal	51,500	20,000	-	71,500
Capital assets being depreciated -				
Machinery and equipment	4,261,949	1,725	-	4,263,674
Accumulated depreciation -				
Machinery and equipment	1,480,234	112,932	-	1,593,166
Net capital assets being depreciated	2,781,715	(111,207)	-	2,670,508
Net capital assets	\$ 2,833,215	\$ (91,207)	\$ -	\$ 2,742,008

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE F: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Village as follows:

Governmental Activities		Business-type Activities	
Village Administration	\$ 9,974	Water Utilities	\$ 15,861
Parks	19,570	Sewer Utilities	97,071
Dam	2,036	Total	<u>\$ 112,932</u>
Streets and Sidewalks	831		
Law Enforcement	6,363		
Cemetery	403		
Allocated Internal Service Fund	<u>26,848</u>		
Total	<u>\$66,025</u>		

NOTE G: DEFERRED REVENUE

The Village has deferred income in the amount of \$6,023 related to unspent grant monies as follows:

State of Michigan Community Forestry Grant	\$ 5,000
Grand Traverse Band of Ottawa and Chippewa Indian's Gaming Division Path Grant	<u>1,023</u>
Total	<u>\$ 6,023</u>

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended February 28, 2005:

Description and Purpose	Balance March 1, 2004	Issued	Retired	Balance February 28, 2005	Due Within One Year
<i>Governmental Activities</i>					
Major Governmental Funds					
Street Improv. Bonds	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Installment Loan	159,000	-	8,717	150,283	7,490
Non-major Governmental Fund					
Craven Dam Bond	175,000	-	10,000	165,000	10,000
Capital Improvement Bond	-	48,000	-	48,000	4,000
Total	374,000	48,000	58,717	363,283	21,490
<i>Business-type Activities</i>					
Major Enterprise Fund					
Sewer Revenue Bonds	750,000	-	30,000	720,000	35,000
Sewer G.O. Bonds	935,000	-	25,000	910,000	25,000
Total	1,685,000	-	55,000	1,630,000	60,000
Total Primary Government Long-term Debt	<u>\$ 2,059,000</u>	<u>\$ 48,000</u>	<u>\$ 113,717</u>	<u>\$ 1,993,283</u>	<u>\$81,490</u>

Long-term debt as of February 28, 2005 consists of the following:

LOCAL STREET INSTALLMENT LOAN

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/3/2003	\$ 159,000	5.25%	9/15/2005	\$ 7,490	\$ 8,088
			9/15/2006	7,893	7,685
			9/15/2007	8,318	7,261
			9/15/2008	8,765	6,813
			9/15/2009	9,236	6,342
			9/15/2010 - 9/15/2014	54,189	23,702
			9/15/2015 - 9/15/2019	54,392	7,495
				<u>\$ 150,283</u>	<u>\$ 67,386</u>

Purpose of the Issue:

To defray the cost of purchasing a plot of land within the Village limits.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE H: LONG-TERM DEBT (CONTINUED)

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT OF
LEASE – CRAVEN DAM PROJECT***

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
12/3/2003	\$ 159,000	5.25%	9/15/2005	\$ 7,490	\$ 8,088
			9/15/2006	7,893	7,685
			9/15/2007	8,318	7,261
			9/15/2008	8,765	6,813
			9/15/2009	9,236	6,342
			9/15/2010 - 9/15/2014	54,189	23,702
			9/15/2015 - 9/15/2019	54,392	7,495
				<u>\$ 150,283</u>	<u>\$ 67,386</u>

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

GENERAL FUND CAPITAL IMPROVEMENT BONDS

<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>INTEREST RATE</u>	<u>DATE OF MATURITY</u>	<u>ANNUAL PRINCIPAL PAYABLE</u>	<u>ANNUAL INTEREST PAYABLE</u>
12/28/2004	\$ 48,000	4.00%	1/1/2006	\$ 4,000	\$ 1,936
			1/1/2007	4,000	1,760
			1/1/2008	4,000	1,600
			1/1/2009	4,000	1,440
			1/1/2010	5,000	1,280
			1/1/2011 - 1/1/2015	27,000	3,360
				<u>48,000</u>	<u>11,376</u>

Purpose of the Issue:

Upgrade various components of the Village's water line system to accommodate future development.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE H: LONG-TERM DEBT (CONTINUED)

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE
REFUNDING BONDS, SERIES 1999***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
11/16/1999	\$ 865,000	4.55%	1/1/2006	\$ 35,000	\$ 35,620
		4.60%	1/1/2007	35,000	34,028
		4.65%	1/1/2008	35,000	32,418
		4.70%	1/1/2009	40,000	30,790
		4.75%	1/1/2010	40,000	28,910
		4.80 - 5.00%	1/1/2011 - 1/1/2015	230,000	113,938
		5.05 - 5.25%	1/1/2016 - 1/1/2020	305,000	49,553
				<u>\$ 720,000</u>	<u>\$ 325,257</u>

Purpose of the Issue:

Defraying part of the cost of acquiring and constructing additions, extensions and improvements to the Village's sanitary sewage disposal system and to provide cash for the refunding of the Village's Sanitary Sewage Disposal System Revenue Bonds, Series 1972 and 1972B.

The bonds are payable solely and only from the net revenues of the sewer system. The Village has covenanted and agreed to fix and maintain at all times, while the bonds are still outstanding, such rates for services furnished by the sewer system that will be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the sewer system, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account, and to provide for other such expenditures and funds for the sewer system as required. The Village has covenanted to charge and collect sufficient rates and charges each year so as to produce net revenues equal to at least 110% of annual debt service on the bonds.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE H: LONG-TERM DEBT (CONTINUED)

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS
1998***

DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	ANNUAL PRINCIPAL PAYABLE	ANNUAL INTEREST PAYABLE
12/31/1998	\$ 1,065,000	3.90%	12/1/2005	\$ 25,000	\$ 40,665
		3.95%	12/1/2006	25,000	39,690
		4.00%	12/1/2007	35,000	38,703
		4.10%	12/1/2008	35,000	37,303
		4.15%	12/1/2009	35,000	35,868
		4.20 - 4.40%	12/1/2010 - 12/1/2014	200,000	155,905
		4.45 - 4.60%	12/1/2015 - 12/1/2019	200,000	111,025
		4.65 - 4.70%	12/1/2020 - 12/1/2024	225,000	62,865
		4.70 - 4.80%	12/1/2025 - 12/1/2029	130,000	12,173
				<u>\$ 910,000</u>	<u>\$ 534,197</u>

This issue refinanced the General Obligation Wastewater System Improvement Series 1988. The bond is backed by the full faith and credit of the Village and is an unlimited tax general obligation bond.

Purpose of the Issue:

Paying part of the cost of making improvements to the sanitary sewer system of the Village consisting generally of a new treatments plant and discharge facilities together with lines, pumps and storage improvements and all related appurtenances.

As of February 28, 2005, the Village is in compliance with all material covenants.

INTEREST ON LONG-TERM DEBT

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the purposes of the government-wide financial statements. Proprietary funds have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at February 28, 2005:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS TYPE ACTIVITIES</u>
Accrued Interest	<u>\$ 9,947</u>	<u>\$ 16,103</u>

The fund financial statements do not recognize accrued interest for governmental activities.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE I: DESIGNATED/RESERVED/RESTRICTED FUND BALANCE/NET ASSETS

RESERVED/RESTRICTED FUND BALANCE

The sewer fund has reserved/restricted fund balance/net assets for sewer improvement G.O. Bonds.	142,373
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The Building Authority debt service fund has reserved/restricted fund balance/net assets for the Craven Dam Project G.O. Bonds.	1,023
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The 2004 Water Upgrade debt service fund has reserved/restricted Fund balance/net assets for the Water Upgrade Project Bonds	44,000
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The general fund has reserved/restricted fund balance/net assets Related to unspent grant monies.	6,023
	<u>\$ 193,419</u>

DESIGNATED FUND BALANCE

The fiduciary fund type designated amount is retained for cemetery perpetual care.	<u>\$ 84,296</u>
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NOTE J: PENSION PLAN

The Village of Bellaire contributes to the Village of Bellaire Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Village's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all full time and permanent part-time employees are eligible to participate in the plan. Contributions made by both the Village and employees vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Village to contribute 10% of the eligible employees wages. Additionally, each participant may make a contribution up to 10% of their salary. During the year the Village contributed \$34,313 to the plan, which was 10% of its current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005

NOTE K: SEGMENT INFORMATION - ENTERPRISE FUNDS

The water fund and sewer fund provide water and sewer services to Village residents and businesses. A synopsis of pertinent financial data is as follows:

	<u>WATER</u>	<u>SEWER</u>
Operating Revenue	\$ 121,696	\$ 327,298
Operating Expense	157,372	285,807
Depreciation	15,861	97,071
Operating Income (Loss)	(35,676)	41,491
Operating Transfers In/Out	-	-
Increase (Decrease) in Net Assets	(35,676)	(26,167)
Additions to Fixed Assets	20,000	1,725
Net Working Capital	100,754	524,062
Total Assets	413,935	3,082,155
Bonded Debt	-	1,570,000
Total Equity	413,935	1,387,175

NOTE L: INSURANCE COVERAGES

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Village participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Village has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other potential losses, including employee health and accident insurance.

NOTE M: COMPARATIVE DATA

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the Village's financial operations. However, comparative data has not been presented in each of the statements.

**VILLAGE OF BELLAIRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED FEBRUARY 28, 2005**

NOTE N: CONTINGENCIES

GRANTS

The Village and the Bellaire Building Authority have received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and Assessments	\$ 300,000	\$ 300,000	\$ 322,837	\$ 22,837	\$ 314,418
State Grants:					
State Shared Revenue	118,929	118,929	115,765	(3,164)	-
Park Improvements	-	-	-	-	5,920
Local Grants	21,000	21,000	28,958	7,958	2,500
Charges for Services:					
Permits and Fees	4,000	4,000	4,395	395	13,196
Property Tax Administration	4,500	4,500	4,929	429	-
Park Fees	24,750	24,750	17,550	(7,200)	23,395
Franchise Fees	-	-	6,696	6,696	6,548
Interest Income	10,560	10,560	10,430	(130)	10,750
Other	11,900	11,900	14,176	2,276	11,691
Total Revenues	495,639	495,639	525,736	30,097	388,418
EXPENDITURES					
GENERAL GOVERNMENT					
Village Council:					
Wages	16,500	16,500	13,650	2,850	17,330
Fringe Benefits	1,200	1,200	1,044	156	1,326
Office Supplies	-	-	-	-	-
Travel & Transportation	800	800	-	800	-
Total Village Council	18,500	18,500	14,694	3,806	18,656
General Administration:					
Wages	26,000	26,000	21,100	4,900	15,964
Fringe Benefits	43,000	43,000	15,375	27,625	10,252
Office Supplies	4,200	4,200	4,777	(577)	4,256
Communications	2,500	2,500	2,677	(177)	2,692
Rent	18,900	18,900	18,900	-	19,190
Tree Trimming	6,000	6,000	10,110	(4,110)	1,851
Equipment Rental	10,400	10,400	9,765	635	9,718
Professional Fees	10,500	10,500	8,357	2,143	11,541
Printing	2,000	2,000	1,155	845	2,662
Repair and Maintenance	1,000	1,000	651	349	136
Tax Roll	900	900	853	47	817
Insurance and Bonds	1,900	1,900	2,114	(214)	1,799
Dues and Subscriptions	1,500	1,500	1,191	309	1,232
Education and Training	1,000	1,000	90	910	-
Retirement-Pension	9,000	9,000	-	9,000	-
Miscellaneous Expense	5,250	5,250	1,974	3,276	3,144
Capital Outlay	2,500	2,500	-	2,500	660
Total General Administration	146,550	146,550	99,089	47,461	85,914
Election:					
Wages and Benefits	800	800	368	432	639
Supplies and Other	570	570	264	306	683
Total Election	\$ 1,370	\$ 1,370	\$ 632	\$ 738	\$ 1,322

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
GENERAL GOVERNMENT					
(CONTINUED):					
Building and Grounds:					
Wages	\$ 950	\$ 950	\$ 2,683	\$ (1,733)	\$ 336
Fringe Benefits	75	75	1,918	(1,843)	26
Repairs and Maintenance	6,000	6,000	7,997	(1,997)	7,943
Insurance	525	525	611	(86)	505
Utilities	4,100	4,100	5,743	(1,643)	4,391
Street Lights	19,500	19,500	20,491	(991)	17,622
Sidewalks	-	-	-	-	-
Miscellaneous Expense	1,700	1,700	1,579	121	654
Recycling	-	-	-	-	-
Capital Outlay	6,200	6,200	-	6,200	-
Total Building and Grounds	39,050	39,050	41,022	(1,972)	31,477
Total General Government	205,470	205,470	155,437	50,033	137,369
RECREATION AND CULTURE:					
Parks and Playgrounds:					
Wages	28,050	28,050	19,443	8,607	26,830
Fringes	12,000	12,000	14,167	(2,167)	18,325
Communications	600	600	858	(258)	575
Contractual Services	21,000	21,000	17,995	3,005	16,800
Insurance	3,000	3,000	2,874	126	2,737
Utilities	10,150	10,150	7,540	2,610	7,113
Repairs and Maintenance	11,500	11,500	11,255	245	13,116
Equipment Rental	11,500	11,500	11,020	480	11,307
Advertising/Miscellaneous	1,250	1,250	1,978	(728)	1,309
Capital Outlay	30,065	30,065	19,983	10,082	3,302
Total Parks and Playgrounds	129,115	129,115	107,113	22,002	101,414
PUBLIC WORKS:					
Craven Dam:					
Wages	1,000	1,000	278	722	273
Fringe Benefits	300	300	202	98	186
Equipment Rental	500	500	8	492	7
Utilities	100	100	97	3	81
Repairs and Maintenance	900	900	-	900	797
Engineering	-	-	-	-	-
Capital Outlay	3,500	3,500	-	3,500	-
Operating Supplies/Other	-	-	-	-	-
Total Craven Dam	\$ 6,300	\$ 6,300	\$ 585	\$ 5,715	\$ 1,344

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
GENERAL FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
ZONING					
Wages	\$ 27,500	\$ 27,500	\$ 26,846	\$ 654	\$ 19,301
Fringe Benefits	-	-	1,484	(1,484)	1,477
Office Supplies	550	550	641	(91)	1,169
Legal Fees	13,500	13,500	8,066	5,434	7,488
Printing & Publishing	1,000	1,000	624	376	1,140
Education & Training	2,500	2,500	985	1,515	1,919
Transportation & Travel	800	800	48	752	283
Miscellaneous Expense	37,100	37,100	6,383	30,717	1,376
TOTAL ZONING	82,950	82,950	45,077	37,873	34,153
Total Expenditures	423,835	423,835	308,212	115,623	274,280
Excess of Revenues over Expenditures	71,804	71,804	217,524	145,720	114,138
TRANSFERS:					
Operating Transfers Out	(160,000)	(169,700)	(169,392)	308	(197,150)
Excess of Revenues over Expenditures and Other Uses	(88,196)	(97,896)	48,132	146,028	(83,012)
Fund Balance - Beginning of Year	475,757	475,757	475,757	-	479,172
Fund Balance - End of Year	<u>\$ 387,561</u>	<u>\$ 377,861</u>	<u>\$ 523,889</u>	<u>\$ 146,028</u>	<u>\$ 396,160</u>

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
PUBLIC SAFETY FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Federal Grants	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	3,000	3,000	3,387	387	3,164
Local Grants	-	-	-	-	-
Charges for Services	6,640	6,640	10,975	4,335	159
Interest Income	400	400	142	(258)	539
Refunds and Rebates	-	-	-	-	619
Fines and Forfeits	6,750	6,750	11,315	4,565	8,892
Total Revenues	16,790	16,790	25,819	9,029	13,373
EXPENDITURES					
Wages	91,000	91,000	90,016	984	89,973
Fringe Benefits	56,600	56,600	57,191	(591)	52,790
Office Expense	2,610	2,610	3,860	(1,250)	2,633
Fuel	2,750	2,750	4,452	(1,702)	7,865
Professional Services	575	575	450	125	450
Telephone	790	790	838	(48)	731
Education	1,000	1,000	-	1,000	913
Capital Outlay	26,800	26,800	36,331	(9,531)	3,849
Insurance & Bonds	3,500	3,500	3,822	(322)	3,496
Miscellaneous	3,200	3,200	3,044	156	592
Total Expenditures	188,825	188,825	200,004	(11,179)	163,292
Excess (Deficiency) of Revenues over Expenditures	(172,035)	(172,035)	(174,185)	(2,150)	(149,919)
OTHER FINANCING SOURCES					
Transfers In	160,000	167,200	166,892	308	157,150
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(12,035)	(4,835)	(7,293)	(2,458)	7,231
Fund Balance - Beginning of Year	40,884	40,884	40,884	-	33,653
Fund Balance - End of Year	\$ 28,849	\$ 36,049	\$ 33,591	\$ (2,458)	\$ 40,884

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
MAJOR STREET FUND
YEAR ENDED FEBRUARY 28, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
State Grants	\$ 58,000	\$ 58,000	\$ 75,580	\$ 17,580	\$ 82,520
Other Revenue	5,000	5,000	3,886	(1,114)	-
Charges for Services	14,500	14,500	14,500	-	16,500
Interest Income	2,100	2,100	2,177	77	2,146
Total Revenues	79,600	79,600	96,143	16,543	101,166
EXPENDITURES					
Wages	21,100	21,100	14,462	6,638	16,840
Fringe Benefits	10,500	10,500	9,853	647	11,502
Repair and Maintenance	5,500	5,500	7,158	(1,658)	5,786
Professional Services	550	550	900	(350)	525
Traffic Control	4,250	4,250	804	3,446	2,249
Capital Outlay	6,000	6,000	-	6,000	25,449
Equipment Rental	30,000	30,000	28,302	1,698	34,291
Insurance & Bonds	625	625	640	(15)	608
Miscellaneous	300	300	377	(77)	-
Total Expenditures	78,825	78,825	62,496	16,329	97,250
Excess (Deficiency) of Revenues over Expenditures	775	775	33,647	32,872	3,916
Fund Balance - Beginning of Year	108,241	108,241	108,241	-	104,326
Fund Balance - End of Year	\$ 109,016	\$ 109,016	\$ 141,888	\$ 32,872	\$ 108,242

VILLAGE OF BELLAIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - WITH
COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 29, 2004
LOCAL STREET FUND
YEAR ENDED FEBRUARY 28, 2005

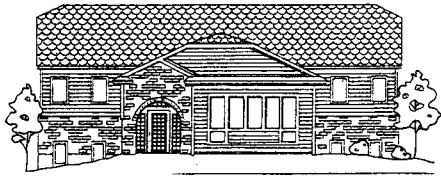
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET	PRIOR YEAR ACTUAL
REVENUES					
Taxes and Assessments	\$ 95,000	\$ 95,000	\$ 99,460	\$ 4,460	\$ 81,908
State Grants	26,500	26,500	33,791	7,291	30,998
Local Grants	-	-	10,000	10,000	12,632
Interest Income	1,200	1,200	1,815	615	1,397
Other	950	950	979	29	950
Total Revenues	123,650	123,650	146,045	22,395	127,885
EXPENDITURES					
Wages	23,100	23,100	17,596	5,504	15,926
Employers Social Security	12,000	12,000	11,987	13	10,878
Miscellaneous	200	200	524	(324)	-
Repair and Maintenance	8,750	8,750	4,109	4,641	6,012
Professional Services	1,850	1,850	3,530	(1,680)	525
Traffic Control	1,500	1,500	49	1,451	55
Sidewalks Construction	-	-	-	-	-
Capital Outlay	-	-	88,536	(88,536)	171,632
Equipment Rental	25,000	25,000	34,834	(9,834)	31,676
Bond Interest	9,721	9,721	9,721	-	-
Insurance & Bonds	650	650	640	10	608
Total Expenditures	82,771	82,771	171,526	(88,755)	237,312
Excess (Deficiency) of Revenues over Expenditures	40,879	40,879	(25,481)	(66,360)	(109,427)
OTHER FINANCING SOURCES / (USES)					
Transfers In	-	2,500	2,500	-	30,000
Transfers Out	-	-	-	-	(40,862)
Bond Proceeds	-	-	-	-	159,000
Bond Principal	(48,717)	(48,717)	(48,717)	-	-
Total Other Financing Sources (Uses)	(48,717)	(46,217)	(46,217)	-	148,138
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(7,838)	(5,338)	(71,698)	(66,360)	38,711
Fund Balance - Beginning of Year	48,483	48,483	48,483	-	9,772
Fund Balance - End of Year	\$ 40,645	\$ 43,145	\$ (23,215)	\$ (66,360)	\$ 48,483

**VILLAGE OF BELLAIRE
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
FEBRUARY 28, 2005**

	CEMETERY	BELLAIRE BUILDING AUTHORITY DEBT SERVICE	WATER UPGRADE DEBT SERVICE	TOTAL
ASSETS				
Cash	\$ 6,120	\$ 1,023	\$ 44,000	\$ 51,143
Investments	1,000	-	-	1,000
Accounts Receivable	9,867	-	-	9,867
Due From Other Funds	5,073	-	-	5,073
Total Assets	<u>22,060</u>	<u>1,023</u>	<u>44,000</u>	<u>67,083</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts Payable	7	-	-	7
Due To Other Funds	17,600	-	-	17,600
Total Liabilities	<u>17,607</u>	<u>-</u>	<u>-</u>	<u>17,607</u>
Fund Balance:				
Equity	<u>4,453</u>	<u>1,023</u>	<u>44,000</u>	<u>49,476</u>
Total Liabilities and Fund Equity	<u>\$ 22,060</u>	<u>\$ 1,023</u>	<u>\$ 44,000</u>	<u>\$ 67,083</u>

VILLAGE OF BELLAIRE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR FUNDS
YEAR ENDED FEBRUARY 28, 2005

	CEMETERY	BELLAIRE BUILDING AUTHORITY DEBT SERVICE	WATER UPGRADE DEBT SERVICE	TOTAL
REVENUES				
Local Grants	\$ 10,093	\$ -	\$ -	\$ 10,093
Charges for Services	9,812	-	-	9,812
Rental Income	-	18,900	-	18,900
Interest Income	1,847	13	-	1,860
Total Revenues	21,752	18,913	-	40,665
EXPENDITURES				
Cemetery	25,934	-	-	25,934
Other	-	1,200	4,000	5,200
Debt Service:				
Bond Principal	-	10,000	-	10,000
Bond Interest	-	7,700	-	7,700
Total Expenditures	25,934	18,900	4,000	48,834
Excess (Deficiency) of Revenues over Expenditures	(4,182)	13	(4,000)	(8,169)
OTHER FINANCING SOURCES				
Bond Proceeds	-	-	48,000	48,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures	(4,182)	13	44,000	39,831
Fund Balance - Beginning of Year	8,635	1,010	-	9,645
Fund Balance - End of Year	<u>\$ 4,453</u>	<u>\$ 1,023</u>	<u>\$ 44,000</u>	<u>\$ 49,476</u>



Keskine, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskine, C.P.A.
Jeffrey B. Cook, C.P.A.
Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 23, 2005

To the President and Members of the Village
Council of the Village of Bellaire

We have audited the financial statements of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 28, 2005, and have issued our report thereon dated March 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Bellaire, Antrim County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

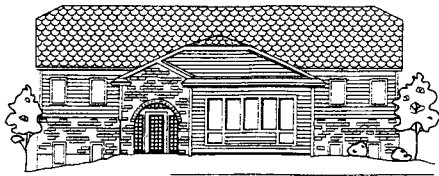
In planning and performing our audit, we considered the Village of Bellaire, Antrim County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation

to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council, management, the United States Department of Rural Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.

 K. K. Cook

Keskine, Cook, Miller & Alexander LLP
Certified Public Accountants

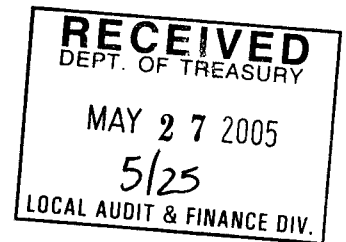


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March 23, 2005

To the President and Members of the Village
Council of the Village of Bellaire



We have recently completed our audit of the financial statements of the Village of Bellaire (the "Village") for the year ended February 28, 2005 and have issued our report thereon dated March 23, 2005. In addition to the audit report, we offer the following comments and recommendation for your consideration:

Budget Overexpenditures:

In violation of the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended), the Village experienced the following overexpenditures:

Public Safety	\$11,179
Local Streets	88,755

We recommend that the Village use its budgets as flexible management tools and amend them when necessary to avoid overexpenditures.

Pre-Signed Checks:

Through discussions with various members of the Village's management, we noted that a supply of checks "pre-signed" with the Village Council President's signature is maintained in the Treasurer's office for use when the President of the Village Council is unavailable to sign a check. Although all Village checks require the signature of the Council President as well as the Village Treasurer, the practice of maintaining pre-signed checks with one of the two required signatures is a circumvention of basic internal controls.

Maintaining strong control over the Village's blank checks is important to ensure the safety of the Village's assets as well as a strong system of internal control designed to provide checks and balances among all members of the Village's management. If a pre-signed check were to be stolen, the potential loss is limited only by the amount of funds contained within the bank account.

We recommend that the Village discontinue the practice of keeping pre-signed checks and the Village Council President sign checks at the Village Hall on a routine schedule.

We would like to thank the Village Council for the opportunity to serve as the auditors for the Village. We would also like to express our appreciation for the courtesy and cooperation extended to us during our audit. As always, please feel free to call with questions regarding the information above or that which is presented in the basic financial statements.

 K. K. Cook Miller & Alexander LLP
Keskine, Cook, Miller & Alexander, LLP